

North Carolina Housing Finance Agency

Schedule of Expenditures of Federal Awards
and Reports Required by *Government
Auditing Standards* and the Uniform
Guidance

Year Ended June 30, 2025

North Carolina Housing Finance Agency

Schedule of Expenditures of Federal Awards and Reports Required by
Government Auditing Standards and the Uniform Guidance
Year Ended June 30, 2025

North Carolina Housing Finance Agency

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Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Audit Committee of the Board of Directors
North Carolina Housing Finance Agency

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the North Carolina Housing Finance Agency (the “Agency”), which comprise the Agency’s statement of net position as of June 30, 2025, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 22, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, P.C.

September 22, 2025



Independent Auditor’s Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Audit Committee of the Board of Directors
North Carolina Housing Finance Agency

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the North Carolina Housing Finance Agency’s (the “Agency”) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Agency’s major federal programs for the year ended June 30, 2025. The Agency’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Agency complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Agency’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Agency’s federal programs.



Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Agency's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Agency's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Agency's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Agency's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.



Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Agency as of and for the year ended June 30, 2025, and have issued our report thereon dated September 22, 2025, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

BDO USA, P.C.

February 23, 2026

North Carolina Housing Finance Agency

Schedule of Expenditures of Federal Awards

Year ended June 30, 2025

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal Assistance Listing Number	Grant Number	Pass-Through Entity Identifying Number	Other Information	Provided To Subrecipients (Thousands)	Total Federal Expenditures (Thousands)
U.S. Department of Housing and Urban Development:						
Section 8 Project-Based Cluster:						
Section 8 Housing Assistance Payments Program - Special Allocations	14.195	NC80-0CC0-001	n/a	n/a	\$ -	\$ 232,791
<i>Total Section 8 Project-Based Cluster</i>					-	232,791
HOME Investment Partnerships Program:						
HOME Investment Partnerships Program	14.239	MXX-SG370100	n/a	n/a	5,834	25,629
COVID-19 HOME Investment Partnerships Program	14.239	M21-SP370100	n/a	n/a	-	258
<i>Total HOME Investment Partnerships Program</i>					5,834	25,887
Housing Trust Fund	14.275	FXX - SG370100	n/a	n/a	-	2,341
Pass-through from North Carolina Department of Public Safety, Office of Recovery and Resiliency:						
Community Development Block Grants - Disaster Recovery:						
Community Development Block Grants - Disaster Recovery	14.228	n/a	B-16-DL-37-0001	See Note 5	-	(17,161)
Community Development Block Grants - Disaster Recovery	14.228	n/a	B-16-DL-37-0001	n/a	-	3,536
<i>Total Community Development Block Grants - Disaster Recovery</i>					-	(13,625)
811 Project Rental Assistance	14.326	NC19DRD1901	n/a	n/a	-	337
Pass-through from NeighborWorks America:						
Housing Stability Counseling Program	99.U19	n/a	NRC Act 42 U.S.C 8101-8107	n/a	-	2
Total U.S. Department of Housing and Urban Development					5,834	247,733

North Carolina Housing Finance Agency

Schedule of Expenditures of Federal Awards

Year ended June 30, 2025

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal Assistance Listing Number	Grant Number	Pass-Through Entity Identifying Number	Other Information	Provided To Subrecipients (Thousands)	Total Federal Expenditures (Thousands)
U.S. Department of Treasury:						
Pass-through from North Carolina Pandemic Recovery Office, an instrumentality of the Office of State Budget and Management:						
Homeowner Assistance Fund	21.026	HAF0019	n/a	n/a	-	311
Emergency Rental Assistance Program:						
Emergency Rental Assistance Program	21.023	ERAE0098	n/a	See Note 5	-	17,161
Emergency Rental Assistance Program	21.023	ERAE0098	n/a	n/a	-	16,289
<i>Total Emergency Rental Assistance Program</i>					-	33,450
Total U.S. Department of Treasury					-	33,761
Total Expenditures of Federal Awards					\$ 5,834	\$ 281,494

The accompanying notes are an integral part of this schedule.

North Carolina Housing Finance Agency

Notes to the Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the North Carolina Housing Finance Agency (the "Agency") under programs of the federal government for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Agency, it is not intended to and does not present the financial position, changes in net position or cash flows of the Agency. Therefore, certain amounts presented in the Schedule may differ from amounts presented in the Agency's financial statements.

All of the Agency's federal awards were in the form of cash assistance for the year ended June 30, 2025.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. As directed by the Office of the State Auditor of North Carolina, expenditures of funds from the State of North Carolina totaling \$112,479,276 for the year ended June 30, 2025 are excluded from the Schedule. The negative adjustment shown on the Schedule represents an adjustment to amounts reported as expenditures in prior years. See Note 5 for additional details.

3. Indirect Cost Rate

The Agency has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

4. Administrative Expenses

The expenditures of federal awards included the following administrative fees:

<i>Year ended June 30, 2025</i>	Amount <i>(Thousands)</i>
Section 8 Housing Assistance Payments Program - Special Allocations	\$ 7,998
HOME Investment Partnerships Program	981
COVID-19 HOME Investment Partnerships American Rescue Plan Program	258
Housing Trust Fund	351
811 Project Rental Assistance	337
Housing Stability Counseling Program	2
Homeowner Assistance Fund	311
Total	\$ 10,238

North Carolina Housing Finance Agency

Notes to the Schedule of Expenditures of Federal Awards

5. Federal Funding Adjustment

During the fiscal year ended June 30, 2025, the Agency reclassified approximately \$17,161,000 in federal expenditures originally reported in the June 30, 2024 schedule of expenditures of federal awards under the Community Development Block Grants - Disaster Recovery program (ALN 14.228) to the Emergency Rental Assistance Program (ALN 21.023). This reclassification resulted in the program adjustment presented on the Schedule. Prior to considering the effect of the federal funding adjustment on the Schedule, Community Development Block Grants - Disaster Recovery program expenditures for the year ended June 30, 2025 were \$3,536,000.

The reclassification of expenditures between the federal programs was made at the direction of the state of North Carolina (the "State"), following approval from the U.S. Department of the Treasury. The funding swap allowed the State, through the Agency, to fully utilize its Emergency Rental Assistance allocation while continuing to support affordable housing initiatives. The funding swap was not the result of any noncompliance or fault by the Agency.

The expenditures reclassified to the Emergency Rental Assistance were incurred during the Emergency Rental Assistance program period of performance and meet all eligibility requirements. These expenditures are included in the accompanying Schedule under the Emergency Rental Assistance program.

North Carolina Housing Finance Agency

Schedule of Findings and Questioned Costs Year Ended June 30, 2025

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

yes no

Identification of major federal programs:

Federal Assistance Listing Number(s)	Name of Federal Program or Cluster
14.195	Section 8 Housing Assistance Payments Program - Special Allocations
21.023	Emergency Rental Assistance Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$3,000,000

Auditee qualified as low-risk auditee?

yes no

North Carolina Housing Finance Agency

Schedule of Findings and Questioned Costs Year Ended June 30, 2025

Section II - Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements, related to the financial statements for which *Government Auditing Standards* requires reporting.

There were no findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

Section III - Federal Award Findings and Questioned Costs

This section identifies the audit findings required to be reported by CFR 200.516(a) (for example, significant deficiencies, material weaknesses, material instances of noncompliance, including questioned costs and significant instances of abuse).

There were no findings or questioned costs for federal awards that were required to be reported.